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May 5, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **JEWISH VOCATIONAL SERVICE CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC SOCIAL SERVICES GENERAL RELIEF
OPPORTUNITIES FOR WORK PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract review of Jewish Vocational Service (JVS or Agency), a Department of Public Social Services (DPSS) General Relief Opportunities for Work (GROW) Program provider.

Background

DPSS contracts with JVS, a private non-profit community-based organization to provide employment and training services to help General Relief program recipients obtain jobs and achieve self-sufficiency. The contract services include Orientation, Rapid Employment and Promotion Activity and Job Skills Preparation Class. The Agency provided services to residents of all Supervisorial Districts during Fiscal Year (FY) 2007-08.

DPSS compensates JVS at a fixed monthly fee for each type of service. DPSS paid JVS approximately \$714,000 during FY 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether JVS complied with the contract terms and appropriately accounted for and spent GROW funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

The program participants met the eligibility requirements for the GROW Program and JVS met the contract's performance outcome measures. In addition, the Agency's staff possessed the required qualifications and JVS's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs. However, JVS did not always comply with other contract requirements. Specifically, JVS:

- Did not always document the review and approval of bank reconciliations.
- Did not resolve outstanding checks timely.
- Recorded \$592 in expenses to the GROW Program accounting records for office supplies that were not used for the GROW Program.
- Did not always obtain the required employee background clearances.

In addition, the County contract does not include provisions requiring the Agency to return or reinvest unspent GROW Program funds and allowing the County to recover costs that are inappropriately charged to the Program. JVS received \$716,260 from DPSS for the GROW Program during Calendar Year 2008. However, the Agency's Program expenditures totaled \$588,390, which is \$127,870 (\$716,260 - \$588,390) in unspent Program funds that the contract allowed the Agency to retain.

In DPSS' response (Attachment II), they agreed with our recommendation to work with County Counsel to amend the contract language to include provisions requiring Agencies to return or reinvest unspent revenues and allowing the County to recover costs that are inappropriately charged to the Program.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with JVS and DPSS in November 2009. JVS's response (Attachment I) and DPSS' response (Attachment II) indicate agreement with our findings and recommendations. DPSS plans to follow-up to ensure JVS implements our recommendations. DPSS also indicated that they intend to amend the GROW contracts to include the unspent revenue provisions by December 31, 2010.

We thank JVS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Jeffrey Paul, Board President, Jewish Vocational Service
Vivian Seigel, Chief Executive Officer, Jewish Vocational Service
Olwen Brown, Chief Financial Officer, Jewish Vocational Service
Public Information Office
Audit Committee

**GENERAL RELIEF OPPORTUNITIES FOR WORK PROGRAM
JEWISH VOCATIONAL SERVICE
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Jewish Vocational Service (JVS or Agency) provided services to individuals that met the eligibility requirements of the General Relief Opportunities for Work (GROW) Program services.

Verification

We visited the two JVS service sites and reviewed the case files for 40 (4%) of the 987 program participants that received services during May and June 2008.

Results

All 40 program participants met the eligibility requirements for GROW Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether JVS provided the services in accordance with the County contract and GROW guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 40 program participants that received services during May and June 2008. We also interviewed 16 participants.

Results

JVS provided the services in accordance with the County contract and the program participants interviewed stated that the services they received met their expectations.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether JVS staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for 12 JVS employees.

Results

JVS's staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether JVS met the planned performance outcomes as outlined in the County contract and reported the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included maintaining attendance records, session schedules and curriculums for GROW Program services. The performance outcomes also included maintaining an acceptable full-time job placement rate of at least 8% of the actual number of participants who started Rapid Employment and Promotion and/or Job Skills Preparation class sessions.

Verification

We reviewed the Agency's Monthly Management Report that lists the participants and the services received. We also reviewed attendance records and employment verification forms.

Results

JVS met the performance outcome measures outlined in the County contract.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed Agency personnel and reviewed financial records including the Agency's bank reconciliations from May and June 2008.

Results

JVS properly recorded revenue. However, JVS did not comply with required bank reconciliation procedures. Specifically, the May 2008 bank reconciliation was not reviewed and approved by management. In addition, 19 checks totaling \$3,739 included on the May and June 2008 bank reconciliations were outstanding for over 90 days at the time of our review.

Subsequent to our review, we obtained bank reconciliations for December 2009 and January 2010. The reconciliations were reviewed and approved by management. However, 21 checks totaling \$5,787 included in the December 2009 and January 2010 bank reconciliations were outstanding over 90 days.

Recommendations**JVS management:**

1. Ensure bank reconciliations are reviewed and approved by management.
2. Resolve reconciling items timely.

UNSPENT REVENUE

California Department of Social Services (CDSS) policy requires DPSS to use a fixed fee method when contracting for services involving State funds unless DPSS obtains CDSS approval to use a different method. The GROW Program is partially funded by the State. In addition, DPSS compensates JVS at a fixed fee rate for each type of service provided. However, JVS's GROW contract with the County does not include provisions requiring the Agency to return or reinvest unspent Program funds and allowing the County to recover costs that are inappropriately charged to the Program. JVS received \$716,260 from DPSS for the GROW Program during 2008. However, the Agency's Program expenditures totaled \$588,390, which is \$127,870 (\$716,260 -

\$588,390) in unspent Program funds that the contract allowed the Agency to retain. JVS management indicated that the excess revenue was used to offset other County programs.

DPSS has other fixed fee GROW contracts that do not require Agencies to return or reinvest unspent revenues or allow the County to recover costs that are inappropriately charged to the program. To ensure GROW funds are used for their intended purpose, DPSS needs to work with County Counsel to amend the GROW contracts to include provisions requiring Agencies to return or reinvest unspent revenues and allowing the County to recover costs that are inappropriately charged to the program. DPSS should also obtain any necessary CDSS approval to amend the contracts.

Recommendations

DPSS management:

- 3. Work with County Counsel to amend the GROW contracts to include provisions requiring Agencies to return or reinvest unspent revenues and allowing the County to recover costs that are inappropriately charged to the program.**
- 4. Obtain any necessary CDSS approval to amend the contracts.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program-related expenditures were allowable under the County contract and properly documented.

Verification

We interviewed JVS personnel and reviewed financial records and other documentation for 23 non-payroll expenditures totaling \$11,993 that the Agency charged from July 2007 through June 2008.

Results

Overall, the Agency's expenditures were allowable and properly documented. However, JVS posted \$592 in expenses to the GROW Program general ledger for office supplies that were not used for the GROW Program. As indicated above, the Agency's contract does not allow the County to recover costs that are inappropriately charged to the GROW Program.

Recommendation

Refer to Recommendation 3.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether JVS maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed JVS personnel, reviewed their policies and procedures manuals and conducted on-site visits.

Results

JVS maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchased with GROW funds were used for the GROW Program and were safeguarded.

We did not perform test work in this section, as JVS did not use GROW funds to purchase fixed assets or equipment.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the GROW Program. In addition, determine whether JVS obtained background clearances and verified employment eligibility for the employees assigned to the GROW Program.

Verification

We traced the payroll expenditures for 12 employees totaling \$29,030 for May and June 2008 to the Agency's payroll records and time reports. We also interviewed staff and reviewed 12 personnel files for staff assigned to the GROW Program.

Results

JVS appropriately charged payroll expenditures to the GROW Program. However, the Agency did not obtain required background clearances for six (50%) of the 12 employees reviewed.

JVS subsequently obtained the required background checks. However, one (17%) of the six employees drove while performing contract duties and charged mileage to the program even though he had a suspended driver's license.

Recommendation

5. JVS management obtain background clearances for all GROW Program employees.

COST ALLOCATION PLAN

Objective

Determine whether JVS's Cost Allocation Plan was prepared in compliance with the County contract and if the Agency used the Plan to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures JVS incurred from July 2007 through June 2008.

Results

JVS's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.



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December 21, 2009

Subject: Response to DPSS GROW Contract Review.

Thank you for your recent report on the GROW contract review which took place September 2008.

Our response to the findings is as follows:

Recommendation 1

Ensure bank reconciliations are reviewed and approved by management.

All bank reconciliations are reviewed and approved by management on a monthly basis.

We believe that the month the auditor noted is an isolated case.

Recommendation 2

Resolve reconciling items timely

As bank reconciliations are compiled monthly we also resolve reconciling items in a timely basis and according to accounting standards.

Recommendations 3 and 4

DPSS management work with County Counsel to ensure all fixed fee contracts....

These recommendations are for DPSS.

Recommendation 5

JVS management obtain criminal background clearances for their employees

It is the policy and practice for JVS to obtain criminal background clearances for employees.

I am happy to discuss the above issues with you and can be reached at 323-761-8888 x 8597

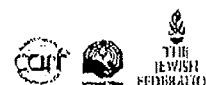
Yours truly

Olwen Brown
JVS CFO
obrown@jvsla.org

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February 22, 2010

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Philip L. Browning, Director

SUBJECT: JEWISH VOCATIONAL SERVICE CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC SOCIAL SERVICES GENERAL RELIEF
OPPORTUNITIES FOR WORK PROGRAM PROVIDER

This is to provide you with our response to the Auditor-Controller's (A-C) recommendations based on the A-C's review of the subject contract for Fiscal Year 2007-08.

Recommendations

- 1) Ensure bank reconciliations are reviewed and approved by management.
- 2) Resolve reconciling items timely.
- 3) Work with County Counsel to amend the GROW contracts to include provisions requiring agencies to return or reinvest unspent revenues and allow the County to recover costs that are inappropriately charged to the program.
- 4) Obtain California Department of Social Services (CDSS) approval to amend the contracts, if necessary.
- 5) Ensure JVS management obtain background clearances for all GROW Program employees.

Response

We agree with these recommendations and will work with County Counsel to implement them. We intend to amend the GROW contracts to include the unspent revenues provision by December 31, 2010.

"To Enrich Lives Through Effective And Caring Service"

Wendy L. Watanabe
February 22, 2010
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Also, on January 28, 2010, we sent a letter to CDSS requesting approval to include an unspent revenues provision in all of the Department's fixed-fee contracts with private, non-profit agencies. CDSS Regulation 23-604.3.374 requires the firm-fixed price method of reimbursement for agreements with non-public/non-governmental agencies.

In addition, on December 21, 2009 JVS agreed to ensure that all bank reconciliations are reviewed and approved by management on a monthly basis and resolve reconciling items in a timely manner according to accounting standards. Further, JVS management agreed to ensure that a criminal background clearance is obtained for all employees.

Please let me know if you have any questions.

PLB:ab